



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 9/11/2003

GAIN Report #VM3015

Vietnam

Grain and Feed

September Rice Update

2003

Approved by:

Henry Schmick

U.S. Embassy

Prepared by:

Bui Thi Huong/Tran Quoc Quan/Truong Minh Dao

Report Highlights: Vietnam's 2003 Summer-Autumn crop is slightly better than expected. However, Post still estimates CY-2003 exports will be about 3.7 million metric tons. Next year's crop will probably be a little smaller as some farmers switch to more profitable crops. This report reviews Jan-Jun 2003 trade data and provides revised production, supply and distribution (PS&D) tables.

Includes PSD changes: No
Includes Trade Matrix: Yes
Unscheduled Report
Hanoi [VM1], VM

TABLE OF CONTENTS

PRODUCTION	Page 2 of 7
Vietnam's 2003 Summer-Autumn (S-A) rice crop	Page 2 of 7
Vietnam's 2003/04 Lua Mua (10th Month) rice crop	Page 3 of 7
Table 1: Vietnam Rough Rice Area, Yield and Production	Page 3 of 7
PRICES	Page 4 of 7
Domestic prices	Page 4 of 7
Export prices	Page 4 of 7
TRADE	Page 4 of 7
Vietnam Jan-August rice export	Page 4 of 7
Table 2: Vietnam January-July rice export	Page 5 of 7
Table 3: Vietnam's PS&D table	Page 6 of 7
POLICY	Page 7 of 7
Rice land to be 'stabilized' at 3.8 million ha	Page 7 of 7
Vietnam to join Asian Southeast Asean (ASEAN) + 3 in rice reserves	Page 7 of 7

PRODUCTION

Vietnam's 2003 Summer-Autumn (S-A) rice crop

According to the Ministry of Agricultural and Rural Development (MARD), the 2003 S-A planted area is estimated at 2.3 million hectares, an increase of 12 thousand hectares (tha) compared with last year. The new area is mainly in the south-coastal provinces such as Quang Ngai, Binh Dinh and Phu Yen.

Geographically, S-A rice is cultivated in two areas -- the north-central coast region and the southern region. The southern region includes south coastal provinces, Tay Nguyen (Central Highlands), southeast provinces and the Mekong River Delta (MRD). The crop area in the north central coast region is minor, only about 6-7% of the total crop area. The largest S-A crop area is in the MRD, which accounts for more than 81% of the S-A crop area and production.

According to several reports, about 50 tha of the S-A rice in the north-central coastal provinces, such as Thanh Hoa, Nghe An, Ha Tinh, Quang Binh and Quang Tri provinces, was affected by a drought which occurred in the June-July period. Reportedly, some rice areas were seriously damaged and were not harvested. The drought also caused some crop losses in scattered MRD regions. In Kien Giang province, several hundred hectares of S-A rice were lost due to the drought. However, the S-A drought-related crop loss was minor compared to the total crop production and it is partly offset by an increase of the crop production in other areas.

The 2003 S-A rice is being harvested in the Southern provinces. As of August 25, 2003 about 1,345 tha of the S-A rice has been harvested, of which 1,200 tha was in the MRD.

In the MRD, the S-A planted area was estimated at 1,850 tha, a slight increase compared with last year's crop. In the MRD, the planted area of the 2003 S-A crop increased in key rice producing provinces including Can Tho, An Giang, Long An, Soc Trang. The crop expansion in these areas was due to good domestic paddy prices that encouraged farmers to grow more rice. In contrast, better economic return from shrimp caused area reductions (around 20 tha) in some MRD coastal provinces such as Kien Giang, Tra Vinh, Bac Lieu and Soc Trang. Post estimates the MRD S-A crop production will be about 7.3 million metric tons (mmt).

Post revises Vietnam's total 2003 S-A production to 8.605 mmt from our previous estimate of 8.492 mmt due to a larger crop area (from 2,200 tha to 2,235 tha) (see table 1).

Vietnam's 2003/04 Lua Mua (10th Month) rice crop

In Vietnam the split year Lua Mua (10th Month) crop is cultivated in all regions, however, more than 60% of the Lua Mua production comes from the northern provinces. The Lua Mua crop season (planting and harvesting periods) varies in the various Vietnamese regions, which is also true of the other rice crops. When the north is planting, the south is harvesting, and vice versa.

According to MARD's statistics, the 'planned' 2003/04 Lua Mua area is 2,172 tha of which

1,263 tha is in the north and 909 tha is in the south.

In the north, about 1,232 tha of Lua Mua rice has been planted as of August 25, 2003. The crop transplantation was delayed in some northern areas due to drought. According to MARD, some north coastal provinces might be able to only fulfill 95% of their plan because of the drought (and the lack of water to transplant the rice from nurseries to the fields). The harvest of the Lua Mua crop is expected to begin in 1.5-2 months.

The crop is being planted in the southern regions as well. There was about 354 tha (or 38% of the plan) planted as of August 25, 2003. The harvest of the crop is expected to start in December, 2003 and extend into the first months of 2004.

Post revises Vietnam's 2003/04 Lua Mua area to 2,153 tha from our previous estimate of 2,170 tha (see table 1).

Table 1: Vietnam Rough Rice Area, Yield and Production

	2002		2003		2004	
Harvested Area (tha)	Old	New	Old	New	Old	New
Lua Mua (10th month)	2,243	2,243	2,170	2,170	2,170	2,153
Winter-Spring	3,004	3,004	3,000	3,000	3,000	3,000
Summer-Autumn	2,092	2,224	2,200	2,235	2,150	2,150
TOTAL	7,339	7,471	7,370	7,405	7,320	7,303
Yield (mt/ha)						
Lua Mua (10th Month)	3.58	3.58	3.74	3.74	3.74	3.73
Winter-Spring	5.19	5.19	5.20	5.20	5.24	5.24
Summer-Autumn	3.68	3.71	3.86	3.85	3.82	3.85
TOTAL	4.27	4.27	4.37	4.36	4.38	4.39
Production (tmt)						
Lua Mua (10th Month)	8,030	8,030	8,116	8,116	8,116	8,031
Winter-Spring	15,591	15,591	15,600	15,600	15,720	15,720
Summer-Autumn	7,699	8,251	8,492	8,605	8,213	8,278
TOTAL	31,319	31,872	32,208	32,321	32,049	32,028

After adjusting our 2003 S-A and 2003/04 Lua Mua crop estimates, Post revises our CY-2003 and CY-2004 production forecasts to 32,321 tmt and 32,028 tmt, respectively (see table 1)

PRICES Exchange rate VND 15,523 equal to \$1 as of September 8, 2003

Domestic prices

In northern provinces paddy prices increased slightly to VND 1,800-2,000/kg in the last week of August. In north central coastal provinces the paddy price declined by VND 20/kg to VND 1,900/kg as the S-A rice is being harvested.

In the MRD paddy prices of paddy rice suitable for processing for export markets are increasing slightly due to tight rice supplies. Traders were quoted as saying that due to a later-than-expected flood, some MRD farmers are able to store rice at home anticipating higher prices. The rice shipments to Cuba have also increased demand for export-quality rice. Prices of newly harvested S-A paddy are ranging from VND 1,650-1,700/kg. The price of the W-S paddy is about VND 1,950-2,000/kg.

Prices of milled rice of export-quality are quoted at VND 2,850/kg for 10% br.; VND 2,750/kg for 15% br.; and VND 2,600/kg for 25% broken rice.

Export prices

In the last week of August, export prices of Vietnam's rice increased by \$2-3/mt to \$185/mt for 5% broken rice; \$172/mt for 15% br. rice and \$167/kg for 25% br. rice -- compared to \$182/mt; 170/mt and \$162/mt the previous week.

The prices are firm in early September 2003. The prices quoted for Vietnam's rice on September 8, 2003 are \$183-184/mt for 5% br. rice; \$181-182/mt for 10% br. rice; \$172/mt for 15% br. rice and \$166-167/mt for 25% br. rice, respectively.

TRADE

Vietnam Jan-August rice export

According to the Ministry of Trade, Vietnam exported around 2,965 tmt of rice in Jan-Aug, 2003. The total Jan-Aug rice export revenue was \$557 million.

Rice shipments in August were estimated at 300 tmt with an export value of \$56 million. Asia, Africa, Middle East, Europe and South America were the major importers during the period. Brazil was a new market for Vietnamese rice.

Vietnam has signed rice export contracts with total volume 3.2 million metric tons (mmt), of which 1.1 mmt is under Government to Government contracts.

For the last four months of 2003, Vietnam's rice is expected to be exported to Africa, Cuba, Poland and Iraq. To the various African markets, Vietnam is to export 300 tmt in the remainder of this year. Total 2003 exports to Africa will be about 675 tmt, according to MOT. In August 2003 Vinafood 1 signed contracts to export 100 tmt to Cuba, about 20-25 tmt to EU (mainly to Poland) and tens of thousand tons to Africa. Vietnam's rice exports to Iraq also resumed as the UN announced the purchase of 60 tmt of rice under the Oil-for-Food program. The MOT

estimates Vietnam's rice exports in the last four months at 785 tmt. MOT estimates Vietnam's 2003 rice exports at 3.7-3.8 million metric tons.

A MOT source said that the Government of Vietnam will probably try to increase the rice reserve to assist drought hit regions. If so, the rice available for export in the last months of 2003 could be tighter than expected.

According to MARD, Vietnam's 2003 rice export should stay at 3.7-3.8 mmt including 2.8 mmt exported during January-August period, with 300 tmt of outstanding sales as of the end of August. That means rice exporters are encouraged to sign additional contracts of 600-700 tmt by the end of the year. The ministry's suggestion is based on the exportable rice supply in the MRD and their estimate of the coming 2004 W-S crop production.

Based on trade sources, Post developed Vietnam's January-July rice exports by destinations and grades (see table 2).

Table 2: Vietnam January-July rice export by grades and destinations (unit: mt)

	5%	10%	15%	25%	100%br.	Glutinous	Jasmine	Unknown	Total
ASIA	465,099	75,208	527,465	369,616	1,652	8,228	1,165	35,500	1,483,933
In which: Indonesia	38,479	25,660	391,741	39,304	1,652	3,416	1,123	9,500	510,875
Philippines	42,796	2,098	21,950	313,646	0	1,292	0	3,000	384,782
Malaysia	70,192	20,950	19,396	11,166	0	2,340	0	0	124,044
Singapore	11,860	4,150	50,137	5,500	0	1,180	42	0	72,869
East Timor	120	2,700	9,195	0	0	0	0	0	12,015
Iraq	227,536	0	0	0	0	0	0	0	227,536
Iran	55,700	0	0	0	0	0	0	0	55,700
Syria	12,751	0	0	0	0	0	0	0	12,751
Yemen	0	0	0	0	0	0	0	0	0
North Korea	0	0	0	0	0	0	0	0	0
Japan	4,915	0	30,046	0	0	0	0	0	34,961
Cambodia	0	0	0	0	0	0	0	0	0
Hongkong	0	0	0	0	0	0	0	0	0
Others	750	19,650	5,000	0	0	0	0	23,000	48,400
	0	0	0	0	0	0	0	0	0
AFRICA	284,067	26,919	43,060	43,350	71,091	0	0	9,111	477,598
In which Tanzania	31,532	0	0	0	0	0	0	0	31,532
Senegal	4,725	6,050	7,075	0	59,912	0	0	0	77,762
Angola	7,000	16,041	0	0	0	0	0	0	23,041
Ruanda	0	1,500	7,000	1,500	0	0	0	0	10,000
Ghana/Ivory Coast	71,214	0	0	0	0	0	0	0	71,214
Others	152,596	3,328	25,485	4,000	11,179	0	0	5,000	201,588
	0	0	0	0	0	0	0	0	0
EUROPE	1,913	48,578	4,000	0	0	0	0	7,000	61,491
In which: Russia	0	42,008	4,000	0	0	0	0	0	46,008
Ukraine	0	570	0	0	0	0	0	0	570

Poland	0	6,000	0	0	0	0	0	0	6,000
Others	0	0	0	0	0	0	0	7,000	7,000
	0	0	0	0	0	0	0	0	0
AMERICA	0	0	38,200	152,620	0	0	0	0	190,820
In which: Cuba	0	0	38,200	152,620	0	0	0	0	190,820
	0	0	0	0	0	0	0	0	0
AUSTRALIA	0	200	0	0	0	0	564	4,211	4,975
Unknown	4,679	21,500	9,610	11,863	3,000	0	0	133,505	184,157
	0	0	0	0	0	0	0	0	0
TOTAL	755,758	172,405	622,335	577,449	75,743	8,228	1,729	189,327	2,402,974

Source: Trade

Post keep Vietnam's 2003 rice export at 3.7 mmt (see PS&D table).

Table 3: Vietnam's PS&D table

PSD Table						
Country	Vietnam					
Commodity	Rice, Milled				(1000 HA)(1000 MT)	
	Revised	2002	Preliminary	2003	Forecast	2004
	Old	New	Old	New	Old	New
Market Year Begin		01/2002		01/2003		01/2004
Area Harvested	7,471	7,471	7,350	7,405	7,320	7,303
Beginning Stocks	843	843	1,168	1,168	926	1,000
Milled Production	21,036	21,035	21,257	21,332	21,153	21,138
Rough Production	31,872	31,872	32,208	32,322	32,049	32,028
MILLING RATE (.9999)	6,600	6,600	6,600	6,600	6,600	6,600
TOTAL Imports	20	20	0	0	0	0
Jan-Dec Imports	20	20	0	0	0	0
Jan-Dec Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	21,899	21,898	22,425	22,500	22,079	22,139
TOTAL Exports	3,100	3,230	3,700	3,700	3,500	3,500
Jan-Dec Exports	3,100	3,230	3,700	3,700	3,500	3,500
TOTAL Dom. Consumption	17,500	17,500	17,850	17,800	17,850	17,850
Ending Stocks	1,299	1,168	875	1,000	729	789
TOTAL DISTRIBUTION	21,899	21,898	22,425	22,500	22,079	22,139

POLICY

Rice land to be 'stabilized' at 3.8 million ha

The Ag Ministry's Institute of Agricultural Planning hopes to encourage farmers to convert around 400,000 hectares of poor rice land to other crops, and to stabilize the rice planted area at 3.8 million ha by 2005. The expected reduction is mainly in the MRD, where that land can be

used for higher economic return activities, such as aquaculture (catfish, tilapia, and shrimp).

Currently, Vietnam has total rice planted area of about 4.27 million ha, which is about 46-47% of the total agricultural land. That fact that the rice planted area is now less than 50 percent is considered a very good sign the ag/trade policies are working. Not so long ago (mid-1980s), Vietnam was a rice importer. Following economic reforms, Vietnam planted rice fence post to fence post (or here irrigation channels to irrigation channels). But now, Vietnam feels confident it can produce a sustainable level of rice production from less than 50 percent of total agricultural land.

Another comment is noting that the total rice area goal is 3.8 million hectares -- but that assumes most of that land will have two rice crops each year. In fact, some northern areas only have one crop, while a few southern zones can grow rice year-around - and have 4-5 harvests each year. The Ministry is also encouraging farmers to grow one (or two) full-season rice crops and then crop corn (maize) or vegetables before growing another rice crop. Cropping rotations continue to evolve as the livestock sector continues to boom.

Vietnam to join Asian Southeast Asean (ASEAN) + 3 in rice reserves for regional food security

Under a new ASEAN agreement, Vietnam, Thailand and Myanmar (Burma) are to immediately set up a rice reserve system for food security purposes.

During an ASEAN + 3 (China, Japan and South Korea) Ag Ministers's meeting in Kuala Lumpur, Malaysia the last week of August 2003, the countries agree to set-up a new regional food reserve system. The reserve system is designed to allow ASEAN countries to purchase reserve rice from Vietnam, Thailand or Myanmar with assistance from non- rice growing countries (such as Singapore) to address any food crisis or natural calamity.

Under this new agreement, Vietnam should set aside at least 85 tmt. Thailand and Myanmar also should set a certain amount for the food security system. The emergency rice reserve is planned to be in place by early 2004. Many details are still to be addressed.